
Ways & Means Committee

HB 1443

Brief Description: Creating a Washington state patrol retirement system deferred option plan.

Sponsors: Representatives Hurst, Roach, Goodman, Conway and Kelley.

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| <p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates a Deferred Retirement Option Plan for members of the Washington State Patrol Retirement System. |
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Hearing Date: 2/17/09

Staff: David Pringle (786-7310)

Background:

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of the WSPRS may retire at age 55 or after 25 years of service at any age. There are two tiers of benefits in WSPRS, Plan 1, which was closed on December 31, 2002, and Plan 2, which has covered all new fully commissioned officers of the WSP that received their commissions after that date. Members of WSPRS Plan 1 calculate average final salary using the average monthly salary received during a member's last two years of service, and members of WSPRS Plan 2 calculate average final salary using the member's highest consecutive 60 service credit months. Under current law, members of WSPRS, other than the Chief of the WSP, must retire at age 65.

During the last 20 years, the retirement plans for several state and local jurisdictions outside of Washington have implemented some version of a Deferred Retirement Option Program (DROP). In a typical DROP, a member of the retirement plan becomes eligible to participate in the DROP after the member becomes eligible to retire. The member elects to participate in the DROP for a specified period, during which the member is no longer considered an active member for pension purposes. The member continues to work and receive compensation, but not service credit.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Some or all of the monthly retirement benefit that the member would have received is deposited into a special account, and earns interest. At the end of the DROP period, the member terminates employment, and thereafter the retirement benefit is paid directly to the member. The DROP may allow the balance of the DROP account to be distributed or rolled into a specified type of account.

Summary of Bill:

Beginning January 1, 2010, a DROP is created for members of WSPRS. Retirement-eligible WSPRS members that are patrol officers or patrol officers who have attained the rank of sergeant may elect to participate in the DROP. To participate in the DROP, a member of WSPRS must have no fewer than 25 years of service credit, be eligible to retire, and not be on disability status.

Upon beginning DROP participation, the member will begin receiving their retirement allowance into a DROP account, and continue employment with WSP for a specified period up to seven years in length. During this period, the member continues to receive compensation, but does not earn any additional service credit or any salary increase adjustments to the member's retirement allowance calculation. The member's retirement allowance receives adjustments for cost-of-living increases, up to 3 percent per year.

During the DROP period, the member and employer continue to make retirement contributions at the rate applicable to active members. The member's contribution is deposited into the member's DROP account. The employer contribution continues to be credited to WSPRS. The member's DROP account is credited annually with investment earnings equal to 2 percent less than the rate of return of the investment portfolio of WSPRS, but not less than zero percent.

At the end of the DROP period, a participating member ends employment with WSP, collects the accumulated funds in the DROP account, and starts receiving the member's retirement allowance. According to the member's preference, the balance of the DROP account can be paid to the member as a lump sum or rolled over into a qualified retirement account.

If a member dies during the DROP period, then the balance of the member's DROP account is paid to the member's designated beneficiary or estate.

If a living member ceases participation in DROP before the member's years of service credit plus years of participation in the DROP equals 28, then the member forfeits the balance in the DROP account. Members who cease participating in DROP with 28 or more years of service credit plus years of DROP participation may cease their DROP participation at any time without penalty, resume earning service credit in WSPRS and resume crediting current salary towards calculation of a new average final salary.

A member who is placed on disability during the DROP period is terminated from DROP participation and forfeits the balance of the DROP account. However, the DROP account balance may be restored to the member if the member returns to active service with WSP.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.